

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Periodic Reporting
(Proposal Three)

Docket No. RM2020-10

NOTICE OF PROPOSED RULEMAKING ON ANALYTICAL PRINCIPLES
USED IN PERIODIC REPORTING (PROPOSAL THREE)

(Issued June 15, 2020)

I. INTRODUCTION

On June 11, 2020, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Three.

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), June 11, 2020 (Petition). The Postal Service also filed a notice of filing of public and non-public materials relating to Proposal Three. Notice of Filing of USPS-RM2020-10-1 and USPS-RM2020-10-NP1 and Application for Nonpublic Treatment, June 11, 2020.

II. PROPOSAL THREE

Background. The Postal Service's current In-Office Cost System (IOCS) design uses a multi-stage probability sample to randomly select craft employees, including city carriers, and then an interval of work time from the employee's tour for a "snapshot" of work activities in the work interval. Petition, Proposal Three at 1. The Postal Service states that moving data collectors to distant delivery units for carrier readings is costly so that in FY 2019, of over 250,000 individual readings scheduled on city carriers, over 85 percent were conducted by telephone. *Id.* The Postal Service asserts that the availability of detailed clock ring data from the Time and Attendance Collection System (TACS) allows reshaping of the sampling design to improve sampling efficiency and data quality. *Id.* The Postal Service explains that In Docket No. RM2019-6, the Commission approved the modelling of all Special Purpose Route (SPR) carrier costs using TACS data and econometric equations.²

Proposal. The Postal Service states that Proposal Three would change IOCS system design for city carriers to a cluster sampling utilizing census data from TACS to enable on-site data collection at locations and times where and when city carriers are working on the premises. Petition, Proposal Three at 3. Rather than sampling individual employees, the proposed design would sample blocks of time and then subsample clusters of carriers working during those blocks of time. *Id.* The Postal Service asserts that this new design improves data quality with more on-site data rather than telephone readings and, thereby, improves data collection efficiency. *Id.* at 1.

The Postal Service states that for in-morning tests (prior to 1100), when carriers typically work on the premises of postal facilities, on-site data collection of the associated carriers using clustered on-site readings in sampled individual finance numbers (within cost ascertainment group (CAG) strata) would be used as described in the Proposal as Sampling Mode 1. *Id.* at 3. In the afternoon period (after 1100), when

² *Id.* at 1-2. Docket No. RM2019-6, Order on Analytical Principles Used in Periodic Reporting (Proposal One), January 14, 2020 (Order No. 5405).

carriers are typically working on the street, clustered telephone readings with one-hour intervals of time would be sampled as described in the Proposal as Sampling Mode 2. *Id.*

The Postal Service states that TACS data would be used to control totals for supervisor costs incurred on weekdays by employees whose base craft is carrier but clocked in as a supervisor craft. *Id.* at 4. The Postal Service asserts that this method was approved by the Commission in Order No. 5395 for Sundays and holidays.³ The Postal Service states that it will not conduct carrier readings on Sundays and holidays, but would expand the methodology to all days of the week. *Id.* It would use TACS data to provide control totals for carrier costs on Sundays and holidays described in Docket No. RM2018-5.⁴

Each of the Sampling Modes is described briefly in the Proposal. Sampling Mode 1 is Morning On-site Tests. Petition, Proposal Three at 3. The Postal Service states that all carriers working in the selected finance number are identified and software is used to randomly subsample up to six carriers. *Id.* at 4-5. Typically a reading is conducted on each of the six carriers every 30 minutes from the start of their workday until 1100. *Id.* at 5. Sampling Mode 2 is Afternoon Telephone Tests. *Id.* Telephone tests are scheduled for one-hour blocks of time between 1100 and 1900. *Id.* Software randomly selects 30 carriers across a district and groups them by finance numbers. *Id.* There are larger CAG groups and smaller CAG groups to allow for oversampling of smaller CAGs. *Id.* The Postal Service states that a full description of the sampling modes is provided in Appendix A as part of Library Reference USPS-RM2020-10-1. *Id.* at 4.

The Postal Service states that the sampling methodology utilizes probability proportional to size (PPS) sampling “based on the accrued TACS workhours for carriers

³ *Id.* at 4 n.4. See Docket No. RM2019-12, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), January 6, 2020 (Order No. 5395).

⁴ Petition, Proposal Three at 4. See Docket No. RM2018-5, Order Approving In Part Proposal Two, January 8, 2019 (Order No. 4972).

from two pay periods out of the prior quarter.” *Id.* at 6. TACS workhours are grouped by CAG finance number, district and time of day and samples are on a quarterly basis. *Id.* Table 1 of the Proposal presents the Mode 1 quarterly sample size by CAG Group. *Id.* Table 2 shows the Mode 2 quarterly sample size by CAG Group. *Id.* at 7. Table 3 of the Proposal displays the proposed number of tests by each Sampling Mode and CAG Group and the proposed number of “non-stop” readings (when a carrier is actively working in the tested finance number) expected from each mode. *Id.* at 8. The Postal Service would estimate costs for carriers using quarterly TACS data to weight the IOCS-Cluster sample readings. *Id.* The Postal Service states that equations for the estimations are provided in Appendix A of Library Reference USPS-RM2020-10-1. *Id.*

The Postal Service states that with the approval of Proposal One in Docket No. RM2019-6, tallies are no longer used to distribute SPR activity costs. *Id.* at 9. It states that the current proposal will continue to sample SPR carriers, but will not use the readings to attribute any costs. *Id.* The Postal Service states that the change in sampling methods does not change the activity or mail-related questions of the data collectors; only administrative fields and back-end variables will be affected by the sampling methodology. *Id.*

Rationale. The Postal Service states that there are numerous reasons it views the cost estimates from the new sampling systems as more accurate than the cost estimates from the current IOCS sampling system. *Id.* at 10. It offers the following reasons. Dedicated on-site data collectors can provide valuable information and validate data. *Id.* They are trained and may better implement IOCS data collection procedures with a primary objective to complete their tests compared to the current data collecting employees who also have other responsibilities. *Id.* On-site data collectors will have time for increased sampling with less disruption and delay of carriers and respondent clerks and supervisors. *Id.* at 10-11.

Based on Table 4 of the Proposal, the Postal Service asserts that direct mailpiece costs using the allocation of direct mailpiece tallies when carriers were in the office increased 44 percent, and increased 223 percent when carriers were in the

parking lot. *Id.* at 10. It also asserts that in-office mixed mail costs decreased 24 percent and that parking lot mixed mail costs decreased 9 percent. *Id.* at 10-11.

The Postal Service asserts that there will be a reduction in ambiguous route costs. *Id.* at 12. No costs except certain training costs will be allocated to unidentified routes; whereas, in Non-Cluster IOCS, numerous tallies are assigned to the ambiguous route 99 when carriers are not assigned to a specific route or not working on a valid route. *Id.* The Postal Service asserts Table 6 of the Proposal demonstrates that larger route categories appear stable between the two systems. *Id.* at 13.

As its last rationale, the Postal Service states that use of the TACS system to weight tests by finance number or district means that the Postal Service no longer needs to absorb the inefficiency of simple random sampling. TACS allows sampling at all CAGs, and weights the results according to accrued hours and costs. *Id.*

Impact. The Postal Service asserts that Table 7 of the Proposal demonstrates that the proposed IOCS-Cluster sampling would result in a 49 percent increase in costs allocated based on direct tallies, where the carrier was handling a mailpiece and the mailpiece was able to be sampled. *Id.* at 13-14. It also asserts that costs decreased for mixed mail, training, support and administrative activities, all readings without an actual mailpiece. *Id.*

The impacts at the Cost and Revenue Analysis (CRA) product level are indicated in Table 8 of the Proposal. *Id.* at 15. The Postal Service states that the material cost changes are seen in competitive products which increased overall, that First-Class Mail Single-Piece Letter costs decreased, accounting for most of the decrease in First-Class Mail, and that costs of other market dominant products increased. *Id.* at 14. Competitive product details were filed under seal in Library Reference USPS-RM2020-10-NP-1. *Id.*

The Postal Service provides the results of the coefficients of variation (CVs) by CRA Subproducts in Table 9 of the Proposal. *Id.* at 16-17. The Postal Service asserts that, using Quarter 2 FY 2020 data, the majority of CVs projected for IOCS-Cluster were lower than during FY 2019. *Id.* at 16. The Postal Service also asserts that the

efficiency gains for street time outweigh the slight increase in CVs. *Id.* It claims that First-Class Mail experiences a slight increase in CVs due to a drop in allocated costs, but that the approval of modeling SPR costs in Docket No. RM2018-5 improved the CVs compared to the previous IOCS-Cluster filing. *Id.*

III. NOTICE AND COMMENT

The Commission establishes Docket No. RM2020-10 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's website at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Three no later than August 14, 2020. Pursuant to 39 U.S.C. 505, Katalin K. Clendenin is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. RM2020-10 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), filed June 11, 2020.
2. Comments by interested persons in this proceeding are due no later than August 14, 2020.⁵

⁵ The Commission reminds interested persons that its revised and reorganized Rules of Practice and Procedure became effective April 20, 2020, and should be used in filings with the Commission after April 20, 2020. The new rules are available on the Commission's website and can be found in Order No. 5407. Docket No. RM2019-13, Order Reorganizing Commission Regulations and Amending Rules of Practice, January 16, 2020 (Order No. 5407).

3. Pursuant to 39 U.S.C. 505, the Commission appoints Katalin K. Clendenin to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Erica A. Barker
Secretary